MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

DMG5024 – MANAGEMENT ACCOUNTING 2

(All Sections/Groups)

15 MARCH 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

Namee Company is one of the premium face mask manufacturers in Malaysia. The selling price for a piece of premium face mask is RM30. Currently the company has an excess capacity in their manufacturing due to plant expansion and the purchase of a new machine at the cost of RM350,000 in January 2020.

Given below are the cost of manufacturing 120,000 premium face masks for the year 2020:

	Cost (RM)
Direct material	960,000
Direct labour	540,000
Variable manufacturing overhead	300,000
Fixed manufacturing overhead	360,000
Total manufacturing cost	**2,160,000**

Namee Company also incurred RM80,000 during the year for advertising expenses.

A company from Singapore has approached Namee Company to purchase 50,000 pieces of premium face masks with an embroidery of the company's logo at a price of RM25 each. However, Mr. Adli, accountant of Namee Company, does not agree with the offer because the requested price is lower than the normal selling price and it might decrease the company's net income.

If Namee accepts the offer, they will need to incur an additional RM8,000 transportation cost and increase the direct material by RM2 per piece and direct labour by RM1 per piece. Variable manufacturing overhead will also increase 2% per piece. There is no increase in fixed manufacturing overhead and no advertising expenses that will result from this special order.

Required

(a) Prepare an incremental analysis for the special order. (9 marks)

(b) Do you agree with Mr. Adli's recommendation? Why or why not? (1 mark)

Continued …

PART B

Delima Company is considering to replace one of their manufacturing machines. The machine is used in daily operations to produce its best seller product, Unix 01. The machine's cost is RM450,000 and its accumulated depreciation is RM100,000. The machine's remaining useful life is 4 years and the salvage value is RM120,000. The company estimated that they will need to spend RM20,000 to replace some parts of the machine and another RM15,000 to clean it if they decide to keep the machine.

The company is also looking at a new machine which costs RM280,000, has 8 years useful life and a salvage value of RM12,000. The new machine will be more efficient and can reduce operating expenses from RM200,000 to RM140,000 per year.

Required

Prepare an analysis showing whether the old machine should be retained or replaced. (10 marks)

(Total: 20 marks)

QUESTION 2

Sandra Chic manufactures young women clothings that are sold in various boutiques in Malaysia. She has invested in three machines at the cost of RM150,000 each and one packing machine at the cost of RM200,000. She desires a 30% return on investment. According to the market research conducted by her administrative team, she will be able to sell 37,500 dresses if the price per dress is no more than RM30.

Required

(a) Determine the desired profit for one dress. (3 marks)

(b) Determine the target cost for one dress. (1 mark)

(c) Determine the new target cost for one dress if Sandra Chic would like to sell the dresses at RM35 per piece, to obtain a 40% return on investment and targets to sell 40,625 pieces of dress. (4 marks)

Continued …

In November 2020, Sandra Chic plans to bring in a new line of designer blouses from the UK which is not sold in Malaysia yet. She plans to manufacture and sell the blouse in Malaysia by January 2021 as the citizens begin to prepare for the lunar new year celebration. In order to manufacture the blouse, she needs to invest in a new machine costing RM520,000 and she desires a 40% return on her investment. Her company's accountant has also established the following costs for 20,000 pieces of blouses:

Direct material	RM20
Direct labour	15
Manufacturing overhead	8
Selling and administrative expenses	6
Total cost	**RM49**

Required

(d) Compute the ROI per blouse. (1.5 marks)

(e) Using the variable costing method, compute the markup percentage and the selling price for one piece of blouse if 60% of the overhead cost and 70% of the selling and administrative expenses are variable costs. (6.5 marks)

(f) In order to smoothen the process of bringing in this new line of blouses, the sales and marketing department (support department) will need to constantly provide information and support to the finance department (support department) as they work out the cost data for this new line of blouses. At the same time, both the support departments are also working closely with the production department and the quality control department. Based on this scenario, which cost allocation method best suits Sandra Chic and why? (2 marks)

(g) Explain **ONE (1)** benefit and **ONE (1)** disadvantage of the above method. (2 marks)

(Total: 20 marks)

QUESTION 3

Beautify Sdn. Bhd. is a beauty parlour that provides various types of beauty treatments such as massages, facial treatment and slimming treatments. The company has been using labour hours as the basis in allocating its overhead cost to all of their services.

However, due to increasing competition, the owner of Beautify Sdn. Bhd., Ms. Goh, has decided to explore the activity-based costing approach. In order to know the impact of adopting the activity-based costing on her services, Ms. Goh has requested you to prepare a report on two of her bestselling services, Oxygen facial (OF) and Wedding beauty spa (WBS). Below are the details for one session of these services for the year 2020:

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	Oxygen facial (OF)	Wedding beauty spa (WBS)
Direct materials	0.8 litre at RM30 per litre	1.2 litre at RM18 per litre
Direct labour	2 hours at RM15 per hour	3 hours at RM15 per hour
Overhead cost	2 hours	3 hours
Selling price	RM100	RM120
Number of appointments	1.2 appointments	1.1 appointments
Number of customers	1 customer	1 customer
Number of material requisition	2 requests	2.2 requests

In the year 2021, Ms. Goh has budgeted 21,135 direct labour hours.

Below are the costing and activities provided by the company's accountant:

Beautify Sdn. Bhd. Summary of allocation of estimated overhead cost			
Activities	**Cost driver**	**Expected overhead cost (RM)**	**Expected quantity**
Administration	Numbers of appointments	62,900	12,580 appointments
Performing services	Number of customers	112,320	12,480 customers
Material handling	Number of material requisitions	78,400	22,400 requests
		253,620	

Required

(a) Compute the predetermined overhead rate using the traditional costing method. (2 marks)

(b) Determine the total cost for a session of Oxygen facial (OF) using the traditional costing method. (2.5 marks)

(c) Determine the total cost for a session of Wedding beauty spa (WBS) using the traditional costing method. (2.5 marks)

(d) Compute the activity-based rate using the activity-based costing method. (3 marks)

(e) Determine the overhead cost for a session of Oxygen facial (OF) using the activity-based costing method. (3.5 marks)

(f) Determine the overhead cost for a session of Wedding beauty spa (WBS) using the activity-based costing method. (3.5 marks)

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(g) Compare and comment on the overhead costs for both the Oxygen facial (OF) and Wedding beauty spa (WBS) if the company uses traditional costing method instead of activity-based costing method. (3 marks)

(Total: 20 marks)

QUESTION 4

PART A

Mideama Company produces and sells digital slim vacuum cleaner for the Malaysian market. The company forecasted 6,500 units will be sold in the first quarter of 2021 and it will increase by 20% in the subsequent quarters due to high demand for new technology. However, the sales in the first quarter of 2022 is expected to decrease by 10% from the last quarter of 2021.

In order to ensure customers' demand can be fulfilled on time, the company decided to maintain the ending inventory in each quarter equal to 50% of the next quarter's sales. The ending inventory for the last quarter of 2020 is 2,200 units.

Required

Prepare a quarterly production budget for the year 2021. (8 marks)

PART B

Unico Company manufactures two products, RR01 and RR02. The budgeted units to be produced for the year 2021 are as follows:

	RR01	**RR02**	**Total**
January	15,000	20,000	35,000
February	10,000	15,000	25,000
March	12,000	18,000	30,000
April	18,000	16,000	34,000

It takes 2 kilograms of direct materials to produce the RR01 product and 3 kilograms of direct materials to produce the RR02 product. It is the company's policy to maintain an inventory of direct materials on hand at the end of each month equal to 40% of the next month's production needs for RR01 and 30% of the next month's production needs for RR02. Direct materials inventory on hand at 31 December 2020 were 8,000 kilograms for the RR01 and 12,000 kilograms for the RR02.

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The cost of material for RR01 is RM8 per kilogram and is expected to increase by 15% in February 2021. The cost of material for RR02 is RM6 per kilogram and will increase by 12% in March 2021.

Required

Prepare a separate direct materials budget for each product for the first quarter of 2021. (12 marks)

(Total: 20 marks)

QUESTION 5

PART A

Sessa Sdn. Bhd. incurs RM500,000 joint cost every quarter to turn crabs and squids into crab balls and squid balls. Every quarter, Sessa Sdn. Bhd. will produce a total of 83,232 packets of crab balls and 66,640 packets of squid balls. Each packet of crab balls is sold at RM10 while each packet of squid balls is sold at RM12.

Sessa Sdn. Bhd. also has the opportunity to process the balls further to crab cheese balls and squid cheese balls by inserting cheese into the balls. There will be a slight reduction in the production quantity as the process of inserting the cheese is very delicate and can often result in spoilage. The company's accountant has provided the following information:

Product	Quantity produced and sold	Further processing cost	Selling price after further processing
Crab cheese balls	82,000	RM249,600	RM15 per packet
Squid cheese balls	65,000	RM250,400	RM18 per packet

Required

(a) Allocate the joint cost using the sales value at splitoff method. (3 marks)

(b) Allocate the joint cost using the net realisable value method. (5 marks)

(c) Compare and comment on the joint cost allocated in (a) and (b). (2 marks)

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PART B

The following are standard costing information provided by Farway Company for the year of 2020.

	Standard Cost Card (RM)
Direct materials (5 kilograms at RM4.00 per kg)	20.00
Direct labour (1.4 hour at RM15 per hour)	21.00
Variable overhead (0.6 hour at RM 3.50 per hour)	2.10
Fixed overhead (0.5 hour at RM5 per hour)	2.50
	RM45.60

The management accountant of the company has prepared the following variance report for the most recent period of operations:

		Variances	
Cost	**Total standard cost**	**Price**	**Quantity**
Direct materials	RM440,000	RM7,100F	RM8,400U
Direct labour	RM298,000	RM4,900U	RM7,215U

Required

Based on the above information, compute the following items in order to interpret the variance report:

(a) Compute the kilograms of raw materials purchased and used during the period. (2 marks)

(b) Compute the actual cost per kilogram of raw materials. *(Round your answer to two decimal points)*. (2.5 marks)

(c) Compute the actual direct labour hours worked during the year 2020. *(Round your answer to two decimal points).* (2 marks)

(d) Compute the actual rate paid per direct labour hour. *(Round your answer to two decimal points)*. (2 marks)

(e) Compute the actual units produced during the year 2020. (1.5 marks)

(Total: 20 marks)

End of Paper